

It is not too late to recapture the innumerable benefits provided by a fixed monetary standard.

The Gold Standard and Its Significance

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An instrumentality of human freedom

OF ALL INSTITUTIONS, the gold standard apparently occupies a paramount position as an instrumentality of human freedom, private property, private enterprise, and responsible government.

The nature of the gold standard should reveal something as to why it is a necessary and natural companion of human freedom. By definition, a gold standard involves a fixed standard monetary unit composed of gold of specified weight and fineness; free coinage of standard gold; free exchange of standard gold bullion and standard gold coin; redeemability or convertibility of non-gold currency (money and bank deposits) into standard gold coin at the parity rate; freedom of movement of gold coin and bullion into and out of the country.

After specifying the standard gold unit and providing for the free coinage of the various denominations of coin designed to serve the convenience of the people, the government is forced to stand aside and let the gold standard perform its functions in accordance with the desires of the people. The right of private property in gold is established and respected. The government cannot interfere with hoarding, importing, or exporting of gold, or with redemption of non-gold currency into standard gold coin or bullion. An individual may put none, little, much, or all of his property into gold. He may convert his non-gold property into gold and ship it out of the country without hindrance by his government. He may mine gold and export it to any country of his choice.

If a person, living under the degree of

freedom inherent in a gold standard, is disturbed by, or disapproves of the policies or practices of his government or banks, he may preserve his property by presenting non-gold currency for redemption. If many people demand redemption, the banks and government are forced to respect the fears or disapproval of those who are demanding redemption. The government is thus placed in a position in which it must be careful not to disturb unduly, or incur the disapproval of many people with property to protect.

Thus do a people with a gold standard and right of redemption or conversion at their disposal have the power to keep a checkrein on the fiscal policies and practices of their central government. Thus do they obtain and maintain responsible government. The people may utilize that power wisely or unwisely; but it is a power they must have if they are to be able to protect themselves from improper government encroachment or tyranny.

In international relations, all individuals, to the extent of their wealth, are free under a gold standard to utilize gold as they desire. If their non-gold dollars are not acceptable abroad, they can send the equivalent in gold. Since gold is the most universally acceptable money known to mankind, the individual is given the widest possible freedom in utilizing his wealth. Insofar as the nature of the money involved is a consideration, the individual is free to exchange his wealth and services wherever they may be desired and if the traders think their exchanges are mutually advantageous.

This freedom and these practices were illustrated by England's use of the gold standard from 1816 (or 1821) to 1914. Her people traded, invested, and traveled so widely that it was often stated that "the sun never sets on British possessions." The British pound became the dominant

international currency, and London the principal international banking center, of the world. Respect for, and protection of, private property and the enlargement of human freedom in trade, travel, and investment reached heights never attained before or since.

The benefits of the gold standard should have been greater, had they not been limited by the oppression of helpless people under colonialism and slavery, which kept them from participating directly in the type and degree of freedom which tends to exist when people enjoy the rights inherent in a gold standard.

An irredeemable currency as an instrumentality of an opposite nature

WHEN A GOVERNMENT inflicts an irredeemable currency on a people, the great rights and freedoms inherent in a gold standard disappear. The government becomes their dictator free from effective control; it curbs their rights and freedoms as it desires. Constitutional government, such as that designed for the United States, is subverted in an endless number of ways and made to conform to the desires of the government to restrict human freedom.

The ability of people to put pressure on the banks and government, to the extent of their purchasing power, by demanding redemption of non-gold currency, is destroyed. With the destruction of that individual right, the power of the purse passes from ultimate control by the people to unrestrainable control by the government.

Such an arrangement gives the government the power to engage in, and invites, any spending orgy in which the government may choose to indulge. The spending spree of our national government since 1933 provides an illustration of how this power can be exercised.

This uncontrollable government power over the public purse, combined with the

loss by the people of the freedom and rights inherent in a gold standard, enables the central government to socialize a nation, to undermine or destroy a federal system of government, such as that designed for these United States, and to impair to any degree the purchasing power of the currency which people use.

The banks are enabled to conduct their business in terms of irredeemable currency and consequently are free from the pressures of control which individuals could exercise if the non-gold currency were redeemable in gold.

The quality of integrity in the currency the people must use is destroyed. Lacking that virtue, the monetary bloodstream contaminates the economic, political, and social system of the nation and fosters widespread corruption.

In international relations, governments which employ irredeemable currency step in to regulate or control foreign trade, exchange rates, investment, travel, the amount of currency that may be taken out of a country, freedom of exchange of their currency with others, and uses of gold. The freedom of private property in international exchange is curbed as such governments desire; the equalizing and self-correcting influences, characteristic of the gold standard, are impaired or destroyed; and international trade and other exchanges reach various degrees of chaos.

The so-called "dollar gap," widely discussed a few years ago, was a product of government interference as a part of the use of irredeemable currency, as are our unfavorable balance of payments and loss of gold since February, 1958.

Under a gold standard, with banks and individuals free to exercise their appropriate pressures, such distortions as the so-called "dollar gap," prolonged unfavorable balances of payments, and heavy and persistent losses of gold tend to correct

themselves with promptness. But with government interferences—"controls"—under irredeemable currencies, economic distortions in international relations can long persist and be destructive. Such controls tend to have those characteristics because government officials cannot possibly provide a wisdom equal to that of millions of people free to trade, travel, and invest in the interests of personal gain and pleasure.

As problems in international trade and other relations mount under government interference as a consequence of using irredeemable currency, governments find excuses for more or different controls. A huge bureaucracy is developed to manage these international problems; and apparently there is no foreseeable end to these procedures until a nation gains the benefits of a gold standard which requires the central government to retire to its appropriate position of umpire and to relinquish its role as dominant participant and dictator to the practices of free men in international exchange.

Irredeemable currency a tool of socialist and totalitarian governments

ALL SOCIALIST, communist, and totalitarian governments utilize irredeemable currencies. This is because such a currency gives those governments the power they need and desire if they are to control a people and to deprive them of the freedom inherent in private property and private enterprise.

Our national government uses an irredeemable currency because it has demonstrated that it wants the powers which it gains from the employment of such a currency. Having experienced these powers, our national government has taken, and is taking, long steps into socialism and a governmentally managed economy. Moreover, those in charge of our national government reveal that they wish to retain

the power acquired through the use of irredeemable currency and to continue the march toward more and more socialism and governmentally managed economy. Frequent official words to the contrary are apparently designed to be reassuring or to allay fears; but they have no important effect in arresting the course being pursued.

A national drug as an instrument of government control

A GOVERNMENT takes unrestrainable control of a people by the use either of military force or irredeemable currency, or some combination of the two. The former is readily understood; the latter is a subtle national drug that is not generally understood and is readily embraced by its victims. It is, consequently, a favorite device of modern governments, which desire to bring a people under thoroughgoing control, because it enables the government to succeed and at the same time to have the general, and even vigorous, approval of the great mass of people.

The fact that the people in practically every nation in the world during and since the two world wars have lost many of their important freedoms by being subjected to the use of irredeemable currency is probably the most fundamental explanation of the state of affairs during recent years and at present.

The world has literally been drugged with irredeemable currency, particularly since the early 1930's, with government management and dictatorship as consequences. Although some European nations are apparently attempting to raise themselves out of the depths of badly depreciated currencies and governmentally managed economies into which they were plunged by earlier governments, the United States seems to be on the course leading

toward the depths which various other nations have already experienced.

Under a thorough intoxication induced by the drug of irredeemable currency, there are strong agitations in this country for more and more national spending, more and more government controls, easier money, abolition of reserve requirements for our Federal Reserve banks, and another devaluation of our dollar. The fact that these are common reactions of the great majority of people who have been subjected to the use and effects of irredeemable currency provides no clue as to whether this nation is to be saved from the serious disaster into which our present course can lead us.

Any monetary economist of reliability and experience should be able to recognize these symptoms for what they are. Although they are old and oft-repeated occurrences in the history of irredeemable currencies, one need not go back of the experience of this generation to note their appearance over and over again.

Most unfortunately, the great majority of people, including our government officials, who manifest these common reactions, are not getting the proper type of help from the economists generally utilized. Since 1933, many, apparently most, of our economists have been working aggressively for a governmentally managed economy or riding quietly with the tide that is moving in that direction.

A people subjected to the national drug of irredeemable currency demonstrate that they are unable to comprehend the meaning of the common symptoms. Furthermore, they tend to copy the practices of other users of irredeemable currency. For example, if another nation devalues its currency, it is promptly contended that we should devalue too in order to enjoy the same supposed benefits. If other nations cannot maintain a specified minimum

amount of gold reserves in their central banks or Treasuries, the argument appears that we should not maintain such reserves. If other nations with irredeemable currencies put their central banks under the direct control of the government for purposes of currency manipulation, there are those who contend that we should do likewise.

The common contention is that more and more power should be given to the political managers of our monetary and fiscal affairs. The picture is much like that of lemmings rushing to their destruction.

To save the United States

IT IS USELESS to expect a mass movement in behalf of a sound currency—a gold standard with non-gold currency redeemable or convertible into standard gold. The daily experiences of the mass of people are such as to confirm in their minds the virtues of irredeemable currency. They do not regard it as a dangerous or undermining drug. The fact that its purchasing power in this country has declined 58 per cent since 1939, as measured by our index of wholesale prices, does not disturb them to any great extent—their chief response is to try to get more and more of such currency. The bloating and distortions of business indexes are readily accepted as evidence of economic health. Heavy taxes and mountainous debt are not regarded with much seriousness. A frequent or common agitation is for more and more national spending.

If the United States is to be saved from the ultimate consequences of using irredeemable currency, the needed action should be expected to come from top national officials. Such reform calls for statesmanship—for informed and tough monetary surgeons. This means that the President and Secretary of the Treasury need to be statesmen of this type, men who can and will persuade Congress to institute a

redeemable currency at the statutory rate.

Once that step is taken, the people of this nation should experience a breath of fresh air and be on the course leading to better days—to a better and more constitutional type of government, to greater freedom in private property and trade, and to more responsibility by the national government and Reserve banks in monetary and fiscal affairs. Optimism should become widespread because the money of this nation would once more have the quality of integrity. The problems of credit control should be easier to solve. Business enterprise should expand, domestically and internationally, and on a sounder basis. Gold should flow in from abroad, and much of the huge amount, outside our gold stock, now earmarked for foreign account (\$9,979,000,000 as of April 30, 1960), should be released for use in the United States. The demands by savers, foreign and domestic, for U.S. government securities should increase greatly, thus enabling the Treasury to sell them, and to fund its debt, at more favorable rates of interest than tend to prevail when irredeemable currency is used. Our foreign trade balance should adjust itself more readily. The control of the public purse would be returned to the people *as individuals* where such control needs to be if human freedom is to be preserved and responsible government is to be obtained. An impregnable barricade to thorough socialization of this nation, or to a government dictatorship in the United States, would have been erected. There would be good grounds for assurance that our federal system of government and republic will be preserved—at least as long as the gold standard is maintained.

The significance of a gold standard is that it constitutes evidence of integrity in monetary affairs, is the necessary and natural companion of human freedom, and is an insurer of responsible government.

Gandhi and Indian Nationalism:

Two Rejoinders

*Are India's present troubles the fault of Gandhi,
or are they due to the failure of men to live up to
his principles?*

PYARELAL and RAMASHRAY ROY

IT IS NOT POSSIBLE in this short article to deal with all the controversial points and inaccuracies in Mino Adenwalla's dissertation "Gandhi and Indian Nationalism—a Reappraisal" [MODERN AGE, WINTER, 1959-1960]. His main thesis is that the liberal spirit underlying the British rule in India would have in the natural course resulted in India's independence; and but for the civil-disobedience movement the communal blood-bath preceding and following independence, as also most if not all of the present ills that are afflicting India, would have been avoided.

His contention that the three instalments of reforms before the Government of India Act of 1935 were a free, spontaneous gift of British liberalism, ignores a whole chapter of the rise and growth of Indian nationalism, Swadeshi, the fight for the annulment of the partition of Bengal, and the countless sacrifices of a generation of Indian patriots. Lord Morley said in the House of Lords referring to Minto-Morley reforms: "If this chapter of reforms led . . . necessarily up to the establishment of a Parliamentary system in India, I . . . would have nothing . . . to do with it." In 1942 Mr. Churchill declared that he had

not become the King's First Minister to preside over the liquidation of the British Empire.

The "equality" under the "unique system of law evolved by the British" over which Mr. Adenwalla waxes eloquent was largely fictitious. He seems to have forgotten the entire Ilbert Bill episode. Nor does he seem to be aware that far from undermining the "legal basis" of untouchability, the British law and British courts were actually used under the British rule to enforce the practice of untouchability in the name of customary law.

As for the universities, whatever the motives of the protagonists of the British system of education, its effect, in the words of Will Durant, was "to denationalize," "de-Indianize," and turn into "imitation Englishmen" those who came under its influence. That it failed to fulfil its progenitors' other expectation—namely, that if their plans of education were followed up there would not be "a single idolator among the respectable classes in Bengal thirty years hence"¹—was no fault of the system.

The railways the British built subserved not the interests of India, but those of the